

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| THE NOTICE OF HARRISON COUNTY |) | |
| R.E.C.C. OF CYNTHIANA, KENTUCKY |) | |
| FOR THE ESTABLISHMENT OF A LARGE |) | CASE NO. 89-021 |
| POWER RATE |) | |

O R D E R

On January 16, 1989, Harrison County Rural Electric Cooperative Corporation ("Harrison County") filed a proposed tariff entitled Large Power Service 5,000 KW to 9,999 KW (LPR-2, Rate 8). Pursuant to KRS 278.190(2), the Commission on February 3, 1989 suspended the effective date of the tariff until July 12, 1989.

The proposed large power rate is based on East Kentucky Power Cooperative's ("EKPC") Wholesale Power Rate Schedule Section C. Like Section C, Harrison County's rate includes a demand charge of \$5.39 per KW of billing demand. The billing demand is determined either by the customer's contract demand or peak demand during the current month or preceding 11 months, whichever is higher. In addition, Harrison is proposing a declining two-block energy rate. The first block covers the first 425 kwh per KW of billing demand and includes a 10.32 mill adder above EKPC's energy rate in Schedule C. The second block, intended to encourage a customer to improve its load factor, includes a 2.8 mill energy adder and covers all remaining kwh. On June 16, 1989, following a discussion with EKPC, Harrison County revised its tariff to

include a monthly customer charge of \$1,069, which is equivalent to EKPC's monthly load center charge. EKPC has recommended that its members include a monthly customer charge of \$1,069 in their industrial tariffs for customers whose demand exceeds 5,000 KW, assuming that this load would represent all or most of the load on the substation served by it. Likewise, EKPC has recommended a customer charge of \$535 for loads of 1,000 KW to 4,999 KW, assuming that this type of load would represent about 50 percent of the load on the substation.¹

Harrison County has stated that the proposed rate schedule has been developed in response to a potential expansion in the facilities of 3M Company in Cynthiana, Kentucky. As a result of this expansion, 3M has estimated that its demand for electricity may increase to 6,000 KW. 3M Company currently provides a gross margin (net revenue from 3M minus purchased power costs) to Harrison County of \$200,000 per year on net revenue of over \$800,000. Harrison County has demonstrated that gross margins from 3M Company, under the proposed rate schedule and after 3M Company's expansion, will remain the same. Therefore, Harrison County contends that the revenue requirements of its other customers will not be affected.

¹ Response of Nolin Rural Electric Cooperative Corporation to Item No. 8 of the Commission's Order dated November 14, 1988 in Case No. 10382, The Application Of Nolin Rural Electric Cooperative Corporation Of Elizabethtown, Kentucky, For An Order Authorizing The Creation Of Industrial Rates.

The Commission, having considered the evidence of record and being sufficiently advised, is of the opinion and finds that Harrison County's Large Power Service 5,000 KW to 9,999 KW (LPR-2, Rate 8) is consistent with EKPC's approved Wholesale Power Rate Schedule Section C and should be approved.

IT IS THEREFORE ORDERED that:

1. Harrison County's Large Power Service 5,000 KW to 9,999 KW (LPR-2, Rate 8), as amended on June 16, 1989, shall be and hereby is approved.

2. Within 20 days from the date of this Order, Harrison County shall file with this Commission signed copies of the approved tariff.

Done at Frankfort, Kentucky, this 11th day of July, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director